

LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6991

BILL NUMBER: HB 1295

NOTE PREPARED: Jan 16, 2004

BILL AMENDED:

SUBJECT: Vehicle taxation.

FIRST AUTHOR: Rep. Reske

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

STATE IMPACT	FY 2004	FY 2005	FY 2006
State Revenues			
State Expenditures		115,400	(331,600)
Net Increase (Decrease)		(115,400)	331,600

LOCAL IMPACT	CY 2004	CY 2005	CY 2006
Local Revenues		(2,740,000)	(20,000)
Local Expenditures			
Net Increase (Decrease)		(2,740,000)	(20,000)

Summary of Legislation: This bill exempts antique motor vehicles from the motor vehicle excise surtax and the wheel tax.

The bill also provides that recreational vehicles and truck campers are subject to an excise tax instead of the property tax on personal property.

Effective Date: January 1, 2005.

Explanation of State Expenditures: *Net State Impact: The overall net impact projected for the state under this proposal is an additional expenditure of \$115,400 in FY 2005 and savings of \$331,600 in FY 2006 and \$1.0 M per year for years following.*

PTRC Savings: The state pays Property Tax Replacement Credits (PTRC) in the amount of 60% of school General Fund levies attributable to all property. The state also pays 20% of the portion of operating levies (including the remaining 40% of the school GF levy) that are attributable to real property and non-business personal property. If assessed values and maximum levies are reduced as a result of this proposal (see *Explanation of Local Revenues*), the state would save the amount of PTRC paid on the maximum levy reductions for civil unit levies and for school transportation funds. The reduction in assessed value for school general funds would result in the state continuing its overall funding level by shifting part of the state payments from PTRC to tuition support. The amount that the state would save from civil unit and transportation fund PTRC payments is estimated at about \$335,000 in FY 2006 and \$1.0 M per year thereafter. PTRC is paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any savings of PTRC expenditures would ultimately benefit the General Fund.

BMV Expenses: The Bureau of Motor Vehicles would incur additional costs related to the startup and maintenance of the new excise tax program. According to previous BMV estimates, the startup costs would be estimated at \$112,000 in FY 2005 for contract software work. Ongoing expenditures for valuation guides, printing, and decals are estimated at about \$3,400 per year, including the FY 2005 startup year. Total estimated expenditures for FY 2005 are \$115,400.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Net Local Impact: The overall net impact projected for the local government units under this proposal is a revenue loss of \$2.7 M in CY 2005 and a loss of \$20,000 per year for years following.*

Antique Vehicles: Under this proposal, the motor vehicle excise surtax and wheel tax would not apply to vehicle registered as antique vehicles. Motor vehicles must be at least 25 years old to qualify as an antique. In CY 2003, 25 counties imposed the wheel tax/surtax and generated \$2.8 M in wheel tax and \$28.3 M in surtax. There were 2,639 antique vehicles registered in these counties which generated an estimated \$20,000 in surtax. This is the estimated revenue that would be lost beginning in CY 2005 under this provision. Wheel tax and surtax are distributed to the county unit and each city and town in an adopting county. The revenue is used for road and street construction and maintenance.

RV Excise Tax: Under current law, RVs and truck campers are assessed as personal property. Taxpayers must list this property on an individual-owned property tax return filed with the township assessor. The assessed value (AV) of this property becomes part of the tax base, and the taxpayer pays property tax on the RV or camper based on the prevailing property tax rate where the property is located. Beginning in 2005, this bill would remove RVs and truck campers from property taxation and instead require that the owners of this property pay an excise tax.

The statewide average net tax rate for non-business personal property in 2005 is estimated at about \$1.90 per \$100 of AV. Based on 2001 pay 2002 assessment data and estimated changes in the tax rate due to reassessment, the net property tax generated by RVs in 2005 under current law is estimated at about \$9.1 M. It is estimated that the RV/Camper excise tax rate schedule will generate about 70% (\$6.3 M) of the revenue that is currently being generated by the property tax on these same properties or \$2.7 M less per year.

The bill would grant taxpayers a credit against property tax due on RVs and campers in CY 2005 in the amount of property tax due in 2005, thereby eliminating their entire \$9.1 M net property tax liability. But since the excise revenues would generate only an estimated \$6.3 M, this would create a statewide total revenue loss for local units of about \$2.7 M in 2005 only.

In CY 2006, maximum permissible levies would be reduced by the amount of RV/camper excise tax that the units actually receive. Beginning in 2006, this provision would ensure that local taxing units receive the same amount of overall revenue with the RV/camper excise tax in place as they now receive under property tax.

There would be two tax shifts under this bill. First, because the net revenue generated by the excise tax (and thus the maximum levy reduction) is less than the net property tax revenue, the difference, about \$2.7 M, would be shifted from RV/camper owners to all other property owners beginning in 2006.

The second shift is really a shift from the state PTRC obligation on behalf of RVs and campers to all other taxpayers. Since (1) the maximum levy reduction would be based on the net, and not the gross, property tax generated by RVs and campers, (2) the state would save the regular PTRC currently paid on this levy, and (3) there would be no reduction in overall local revenues, the difference between the net and gross civil and school transportation fund levies on RVs and campers would shift to other taxpayers. This shift is estimated at about \$1.0 M per year, statewide.

State Agencies Affected: Department of Local Government Finance; Bureau of Motor Vehicles.

Local Agencies Affected: County Auditors; Local taxing units.

Information Sources: Local Government Database; Bureau of Motor Vehicles.

Fiscal Analyst: Bob Sigalow, 317-232-9859.